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FISCAL IMPACT STATEMENT

LS 6791

BILL NUMBER: SB 158

NOTE PREPARED: Jan 28, 2014

BILL AMENDED: Jan 23, 2014

SUBJECT: Property Taxes.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. T. Brown

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill specifies requirements that must be met by a for-profit early childhood education provider to obtain a property tax exemption for educating children who are four or five years old. The bill prorates the exemption based on the number of children who are four or five years old.

Effective Date: (Amended) January 1, 2015.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Summary* - This provision could result in a reduction in the number of early childhood education providers that may qualify for a property tax exemption. If an exemption is removed or reduced, then all or a part of the property's assessed value would become taxable. When this assessed value is added to the tax base, tax rates and circuit breaker losses could be reduced. There could also be property taxes shifted to taxpayers who lose exemptions from all other taxpayers. The amount of additional assessed value that would be added to the tax rolls, and related impacts, is indeterminable.

Under current law, property tax exemptions are available for property if it is owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes. Under this provision, a for-profit provider of childhood education could qualify for the educational exemption only if:

- 1) Childhood education services are provided to children who are at least four years old but less than

six years old; and

2) The provider participates in the state early education evaluation program and meets the standards of quality recognized by a Level 3 or Level 4 Paths to QUALITY (PTQ) program rating or has a comparable rating from a nationally recognized accrediting body.

If a qualified taxpayer provides services to children younger than four years old, then the exemption would be prorated based on the number of qualified children as opposed to the total number children at the property.

The number of for-profit early childhood education providers that are currently receiving an educational property tax exemption is not currently known.

Additional Information - There are currently 785 providers that are certified as Level 3 or Level 4 PTQ providers. Twenty-four are ministries and are assumed to be tax exempt under the exemption for religious organizations. The other 761 PTQ provider properties plus an unknown number of properties where the provider has a PTQ-comparable rating could receive the educational exemption if they are otherwise qualified. The only limitation for these providers could be the possible proration of the exemption for non-qualifying children.

Licensed centers account for 348 of the 761 non-religious, qualified providers and the remaining 413 are licensed homes.

State Agencies Affected:

Local Agencies Affected: Counties; local civil taxing units and school corporations.

Information Sources: FSSA website, <http://www.in.gov/fssa/pathstoquality/4087.htm>, accessed 1/1/2014; Department of State Revenue website, <http://www.in.gov/dor/files/dn03.pdf>, accessed 1/1/2014.

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